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September 19, 2005

BY E-FILE AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-48

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find the responses of Bay State to the First Set of Information Requests issued by the D.T.E. in this docket, on September 13, 2005.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: John J. Geary, Hearing Officer
Andreas Thanos, Assistant Director, Gas Division, DTE
Rebecca Hanson, Analyst, Gas Division, DTE
Elizabeth Jackson, Analyst, Gas Division, DTE
Jennifer Cargill, Assistant Attorney General (4 copies)
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 05-48

Date: September 19, 2005

Witness Responsible: Francisco C. DaFonte

- DTE 1-1: Please refer to Mr. DaFonte's testimony at 10. Has the Company received regulatory approval from the Canadian National Energy Board for TransCanada Pipelines Ltd.'s ("TransCanada") agreement or from the Ontario Energy Board for Union Gas Limited's ("Union") agreement?
- (a) If no approvals have been obtained for either the TransCanada or Union agreements, when are the decisions expected?
 - (b) If decisions regarding the TransCanada and Union agreements have been rendered, what were the outcomes and the dates the decisions were rendered?

- RESPONSE: (a) TransCanada filed its pipeline expansion facilities with the NEB on Friday September 16, 2005.
- (b) Union received all necessary regulatory approvals from the Ontario Energy Board on July 6, 2005. The OEB order approving Union's filing is provided as Attachment DTE 1-1(b).

Ontario Energy
Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-832-6273

Commission de l'Énergie
de l'Ontario
C.P. 2319
26e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-832-6273



BY PRIORITY POST

July 6, 2005

Ms. Karen Hockin
Manager, Regulatory Projects
Union Gas Limited
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Dear Ms. Hockin:

**Re: Union Gas Limited
Application for 2006 Trafalgar Facilities Expansion Program
Order
Board File No. EB-2005-0201**

The Board has issued its Order in the above matter and an executed copy is attached.

Yours truly,


Peter H. O'Dell
Assistant Board Secretary

cc: B. Wachsmuth, Union Gas Limited
All Interested Parties

Encl.

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2005-0201

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule. B;

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to subsection 90(1), for an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Township of Brooke-Alvinston, the Township of Adelaide-Metcalfe and the Township of Strathroy-Caradoc and in the City of Hamilton, the City of Burlington and the Town of Milton.

BEFORE: Gordon Kaiser
Presiding Member and Vice Chair

Pamela Nowina
Member

ORDER

An Application dated February 8, 2005 has been filed by Union Gas Limited with the Ontario Energy Board (the Board) under section 90 of the *Ontario Energy Board Act, 1998* seeking an Order or Orders of the Board granting leave to construct two sections of natural gas pipeline along with associated compressor station modifications.

The proposed facilities consist of the construction of 18.2 kilometres of 48 inch diameter steel natural gas pipeline in the Counties of Lambton and Middlesex and 17.1 kilometres of 48 inch diameter steel natural gas pipeline in the City of Hamilton and the Region of Halton. In addition to the construction of the two pipelines, Union will upgrade the existing Parkway compressor and install further compression at its Dawn compressor station. Construction of the proposed facilities will allow Union to increase capacity of the Trafalgar gas transmission system to meet the increasing gas requirements of current and future customers.

The Board issued a Notice of Application on March 1, 2005. Union served and published the Notice as directed by the Board. The Application was heard in Toronto on June 27 and 28, 2005. The Board issued its Oral Decision on June 28, 2005, approving the proposed project. The Board found the Application to be in the public interest subject to the Board's Conditions of Approval, a copy of which is attached as Appendix "A".

THE BOARD THEREFORE ORDERS THAT:

1. Leave to construct the proposed natural gas pipelines and ancillary facilities is granted to Union Gas Limited, subject to the Conditions of Approval contained in Appendix "A" attached to this Order.
2. Union shall pay the Board's costs of these proceedings immediately upon receipt of the Board's invoice.

ISSUED at Toronto July 6, 2005

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Board Secretary

APPENDIX "A"

TO

BOARD FILE No. EB-2005-0201

CONDITIONS OF APPROVAL

Union Gas Limited Trafalgar Facilities Expansion Program 2006

1 General Requirements

- 1.1 Union Gas Limited shall construct the facilities and restore the land in accordance with its application and evidence, except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2006, unless construction has commenced prior to then.
- 1.3 Except as modified by this Order, Union Gas shall implement all the recommendations of the Environmental Study Report filed as Volumes 2 and 3 in the pre filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee ("OPCC") review.
- 1.4 Union Gas shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union Gas shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.

2 Project and Communications Requirements

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Facilities.
- 2.2 Union Gas shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfilment of the Conditions of Approval on the construction site. Union Gas shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.
- 2.3 Union Gas shall give the Board's designated representative and the Chair of the OPCC ten days written notice, in advance of the commencement of the construction.

- 2.4 Union Gas shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union Gas shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union Gas shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.
- 2.7 Where blasting is required, Union Gas shall follow its Standard Blasting Specifications and shall determine the locations of wells within 100 meters of blasting operations and shall test water quality of all wells within 100 meters before and after blasting operations.

3 Monitoring and Reporting Requirements

- 3.1 Both during and after construction, Union Gas shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within eighteen months of the in-service date. Union Gas shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union Gas' adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 3.3 The final monitoring report shall describe the condition of the rehabilitated land and the effectiveness of the mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

- 3.4 Within fifteen months of the In-service date, Union shall file with the Board a written Post Construction Financial Report. The Report shall indicate the actual capital costs of the project and shall explain all significant variances from the estimates filed with the Board.

4 Easement Agreements

- 4.1 Union Gas shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

5 Other Approvals

- 5.1 Union Gas shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

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Date: September 19, 2005

Witness Responsible: Francisco C. DaFonte

DTE 1-2: Please refer to Mr. DaFonte's testimony at 10. How does the Company plan to proceed if regulatory approval is not obtained from any of the following regulators: (1) the Department; (2) the Canadian National Energy Board; and (3) Ontario Energy Board?

RESPONSE: If the Company does not receive regulatory approval from the Department by November 1, 2005 it will terminate both the Union and TransCanada agreements per the terms negotiated in both agreements. Receiving Department approval by November 1, 2005 is a condition precedent in the Union Agreement and Bay State may terminate the Union agreement.

If TransCanada does not receive regulatory approval from the NEB, Bay State will terminate both the Union and TransCanada agreements per the terms of both agreements. The OEB has approved Union's filing as stated in the response to DTE 1-1.

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Witness Responsible: Francisco C. DaFonte

DTE 1-3: Please refer to Mr. DaFonte's testimony at 23. If a marketer were to request assignment of this capacity, would Bay State agree to assign the capacity to the marketer?

RESPONSE: The Company would assign the Union and TransCanada capacity to retail marketers if requested.

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Date: September 19, 2005

Witness Responsible: Francisco C. DaFonte

DTE 1-4: Please explain why the contracts with Union Gas Ltd are for a term of eleven years while the terms of the contracts with TransCanada are for a term on ten years.

RESPONSE: The open season for the Union capacity required a minimum ten-year commitment and was fully subscribed. In the event of over-subscription, Union's policy is to pro-rate the capacity among the open season bidders, which would have resulted in a mismatch of Union capacity to TransCanada capacity. In order to avoid this potential mismatch, the ANE Renewal Group bid an eleven-year term to improve its position in the open season queue and receive its entire capacity request.

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Date: September 19, 2005

Witness Responsible: Francisco C. DaFonte

DTE 1-5: Please refer to Mr. DaFonte's testimony at 6, lines 7-8. When did Bay State's long-term supply contract at Waddington expire? How has Waddington been supplied since the expiration?

RESPONSE: Bay State had a long-term contract that expired on November 1, 2002. Since that time, the Company has purchased spot gas at Waddington for varying terms ranging from daily to a full winter season.

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Date: September 19, 2005

Witness Responsible: Francisco C. DaFonte

DTE 1-6: Explain in detail with supporting documentation, data, and assumptions why the contract with Union is for 26,352 Dth, while the contract with TransCanada is for 26,063 Dth.

RESPONSE: The Union contract delivers 26,352 Dth into TransCanada so that after fuel retention on TransCanada of 1.1%, the delivered contract quantity at Waddington is 26,063 Dth.

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Witness Responsible: Francisco C. DaFonte

DTE 1-7: Please refer to Mr. DaFonte's testimony at 17, lines 20-21. Explain with supporting documentation, data, and assumptions how Bay State's total liability of \$9,682,304 is calculated.

RESPONSE: In calculating the Union liability the Company inadvertently used a wrong conversion factor to establish Union's demand charge in US dollars. The Union demand charge used in the liability calculation should have been \$1.75/Dth instead of \$2.2477/Dth. Thus, the liability to Union should be calculated per Exhibit FCD-2, at 2, as the demand rate (\$1.75/Dth) times the contract MDQ (26,352 Dth) times thirteen months, or approximately \$599,508. Adding this liability to the TransCanada liability set forth in Exhibit FCD-4, at 14, item15a and at 15, item16, yields a total liability of \$9,511,812.

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DTE 1-8: Please refer to Exhibit FCD-4, at 20, item 29. Has the condition precedent been met or waived?

RESPONSE: The condition precedent has been waived and a letter dated May 5, 2005, was received by Bay State and ANE, and is provided as Attachment DTE 1-8.



May 5, 2005

Chico DaFonte
Bay State Gas Company
300 Friberg Parkway
Westborough, Massachusetts
01581, USA

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.5823
fax 403.920.2661
email craig_frew@transcanada.com
web www.transcanada.com

Dear Chico,

Re: Shared Cost Event of Cancellation Agreement between TransCanada PipeLines Limited ("TransCanada") and Bay State Gas Company dated the 11th day of February, 2005 (the "Shared Cost Event of Cancellation Agreement")

Please be advised that on April 28, 2005, the Board of Directors of TransCanada approved the Eastern Mainline expansion project. The Eastern Mainline expansion project includes the transaction contemplated in the Precedent Agreement between TransCanada and Bay State Gas Company dated the 11th day of February, 2005. As such, we hereby notify you that the Condition Precedent, as such term is defined in the Shared Costs Event of Cancellation Agreement, has been satisfied.

We look forward to working with you towards the successful completion of this project.

Sincerely,

Craig Frew
Vice President, Gas Transmission East



May 5, 2005

Chico DaFonte
Bay State Gas Company
300 Friberg Parkway
Westborough, Massachusetts
01581, USA

TransCanada PipeLines Limited
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

tel 403.920.5823
fax 403.920.2661
email craig_frew@transcanada.com
web www.transcanada.com

Dear Chico,

Re: **Precedent Agreement between TransCanada PipeLines Limited ("TransCanada") and Bay State Gas Company dated the 11th day of February, 2005 (the "Precedent Agreement")**

Please be advised that on April 28, 2005, the Board of Directors of TransCanada approved the Eastern Mainline expansion project. The Eastern Mainline expansion project includes the transaction contemplated in the Precedent Agreement. As such, we hereby notify you that the Condition Precedent, as such term is defined in the Precedent Agreement, has been satisfied.

We look forward to working with you towards the successful completion of this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Frew", written over a horizontal line.

Craig Frew
Vice President, Gas Transmission East